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DISTRICT OF DELAWARE

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In re:

ARMSTRONG WORLD INDUSTRIES, INC.
et al.,

Debtors.

Chapter 11

Case No. 00-4471 (JKF)

Objection Deadline: April 29, 2005 at 4:00 p.m.

Hearing Date: May 16 at 11:30 a.m.

**OBJECTION OF THE TRAVELERS INDEMNITY COMPANY AND TRAVELERS
CASUALTY AND SURETY COMPANY TO THE JOINT MOTION FOR APPROVAL
OF THE SETTLEMENT BETWEEN AWI AND THE UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY (Re: D.I. 8082)**MORRIS NICHOLS ARSHT & TUNNELL
1201 North Market Street
P.O. Box 1347
Wilmington, Delaware 29899
(302) 658 - 9200

and

SIMPSON THACHER & BARTLETT LLP
425 Lexington Avenue
New York, New York 10022
(212) 455 - 2000COUNSEL FOR TRAVELERS CASUALTY AND SURETY COMPANY
AND THE TRAVELERS INDEMNITY COMPANY

Dated: April 29, 2005

The Travelers Indemnity Company and Travelers Casualty and Surety Company (collectively, "Travelers"), by and through their undersigned counsel, hereby object to the Joint Motion (the "Motion") for Order (I) Approving Settlement Agreement Between Armstrong World Industries, Inc. and the United States Environmental Protection Agency (the "EPA Settlement") and (II) Approving the Assumption of the Malvern Consent Decree Agreements (D.I. 8082). For the reasons set forth herein, Travelers objects to the EPA Settlement to the extent that it purports to provide AWI or the EPA with any right to seek reimbursement from Travelers for any portion of the settlement allocated to the Liquidated Sites (as defined in the EPA Settlement).

OBJECTION

1. During various time periods prior to 1975, Travelers issued certain insurance policies (the "Policies") to Armstrong World Industries, Inc. ("AWI"). On or about May 20, 1998, Travelers and AWI entered into a settlement agreement that resolved certain disputes that had arisen between Travelers and AWI regarding coverage under the Policies (the "1998 Agreement"). Under the 1998 Agreement, AWI released Travelers for, *inter alia*, all Claims against Travelers "under, related to, arising from, or with respect to the Policies," with the exception of certain Claims arising out of AWI's environmental liabilities at sites that were not known to AWI at the time of the 1998 Agreement. Notably, AWI released Travelers with respect to all Claims arising out of Known Environmental Sites (as defined in the 1998 Agreement).

2. By letter dated June 9, 2003, AWI provided notice to Travelers that AWI was engaging in negotiations with the United States Environmental Protection Agency (the "EPA") to resolve AWI's alleged liability for environmental property damage at a number of sites

throughout the country, including, without limitation, the Angelillo Site (CT), the Casmalia Site (CA), the Lang Property (NJ), the Peterson/Puritan Site (RI), and the Kingston Steel Drum (Ottati & Goss) Site (NH) (collectively, the "Sites"). AWI further asserted in its letter that with respect to the Peterson/Puritan Site, the EPA had advised that AWI was considered to be a significant Potentially Responsible Party ("PRP") at the Peterson/Puritan Site and was demanding in excess of \$12 million from AWI on account of that site.

3. In response to AWI's letter, Travelers requested information regarding the Sites, including documentation showing when AWI became aware that it was a PRP at the Sites. Specifically, Travelers sought to determine whether AWI was aware of its potential liability at the Sites at the time of the execution of the 1998 Agreement. AWI did not respond to Travelers requests for information. Thus, as of the filing of this Objection, Travelers has been unable to determine whether the Sites fall within the category of Known Environmental Sites under the 1998 Agreement.

4. To the extent AWI was aware of its potential liability at the Sites at the time the 1998 Agreement was executed, the Sites constitute Known Environmental Sites, and Travelers has no coverage obligations to AWI with respect to them. Moreover, if any of the Sites are not Known Environmental Sites, and AWI believes Travelers owes indemnity obligations under the Policies for any of the Sites, then AWI had an obligation to involve Travelers in its negotiations with the EPA prior to executing any settlement agreement. AWI failed to do so.

5. The EPA Settlement defines the Sites, together with other environmental sites, as Liquidated Sites. The EPA Settlement further defines the Peterson/Puritan Site as both a Liquidated Site and an Insurance Site and purports to entitle the EPA or AWI to seek payment

from AWI's insurers with respect to the \$7,780,000 settlement amount allocated to the site. The EPA Settlement is silent as to how or whether AWI or the EPA may seek insurance coverage with respect to Liquidated Sites that are not Insurance Sites.

6. Moreover, neither the Motion nor the EPA Settlement provides recitals, explanations, justifications or representations concerning: (i) the basis for the total settlement amount of \$8,727,738.80 for all Liquidated Sites; (ii) the basis for allocating the total settlement among the Liquidated Sites as set forth in the EPA Settlement (e.g., with \$7,780,000 allocated to the Peterson/Puritan Site); or (iii) the basis upon which insurance coverage may be sought with respect to the Liquidated Sites or the Insurance Sites.

7. Because of AWI's failure to provide Travelers with requested information concerning the Sites, and because the EPA Settlement and the Motion are silent with respect to the basis for the settlement as described in paragraph 6 above, Travelers is unable to determine whether the EPA Settlement prejudices Travelers rights. Therefore, Travelers objects to the EPA Settlement to the extent that it purports to provide AWI or the EPA with any right to seek coverage under the Policies for that portion of the settlement allocated to the Liquidated Sites.

8. Travelers further objects to the EPA Settlement to the extent it claims that the EPA has, or purports to provide the EPA with, an assignment of rights under the Policies or a right to bring a direct action against Travelers.


RELIEF REQUESTED

WHEREFORE, Travelers requests that this Court deny the Motion insofar as it seeks approval of the EPA Settlement and grant such other and further relief as this Court may deem appropriate.

Dated: April 29, 2005

Respectfully submitted,

By:


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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:

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Debtors.

Chapter 11

Case No. 00-4471 (JKF)

**NOTICE OF SERVICE OF OBJECTION OF TRAVELERS INDEMNITY COMPANY
AND TRAVELERS CASUALTY AND SURETY COMPANY TO THE JOINT MOTION
FOR APPROVAL OF THE SETTLEMENT BETWEEN AWI AND THE UNITED
STATES ENVIRONMENTAL PROTECTION AGENCY [RE: D.I. 8082]**

I, Daniel B. Butz, hereby certify that on April 29, 2005, a copy of the Objection Of The Travelers Indemnity Company And Travelers Casualty And Surety Company To The Joint Motion For Approval Of The Settlement Between AWI And The United States Environmental Protection Agency [Re: D.I. 8082] (D.I. 8179) was caused to made in the manner indicated upon entities identified on the attached service list.

Dated: April 29, 2005

MORRIS, NICHOLS, ARSHT & TUNNELL


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